



## Basic GST/HST Guidelines for Charities

This version replaces the one dated June 2011.

This info sheet provides basic information on how the GST/HST applies to many issues commonly faced by charities. This information applies only to those organizations that are charities under the *Excise Tax Act*.

### Meaning of significant terms

“Charity” means a registered charity or a registered Canadian amateur athletic association for income tax purposes, but does not include a public institution. A charity can issue official donation receipts for income tax purposes. Further information on how the GST/HST applies to charities is available in Guide RC4082, *GST/HST Information for Charities*.

“Exempt supplies” are supplies of property and services that are not subject to the GST/HST. GST/HST registrants cannot claim input tax credits (ITCs) to recover the GST/HST paid or payable on expenses related to making such supplies. However, a charity may be eligible to claim a public service bodies' rebate for such expenses.

“Participating province” means a province that has harmonized its provincial sales tax with the GST to implement the HST. Participating provinces include New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, and Prince Edward Island, but do not include the Nova Scotia offshore area or the Newfoundland offshore area except to the extent that offshore activities, as defined in subsection 123(1) of the *Excise Tax Act*, are carried on in that area.

British Columbia was a participating province from July 1, 2010 until March 31, 2013.

“Public institution” means a registered charity for income tax purposes that is also a school authority, a public college, a university, a hospital authority, or a local authority determined to be a municipality by the

Minister of National Revenue. Information on how the GST/HST applies to public institutions is available in GST/HST Info Sheet GI-068, *Basic GST/HST Guidelines for Public Institutions*.

“Registrant” means a person who is registered or has to be registered for GST/HST purposes.

“Selected public service body” means:

- a school authority, a university or a public college that is established and operated other than for profit;
- a hospital authority;
- a municipality;
- a facility operator; or
- an external supplier.

“Supply” means the provision of property or a service in any way, including sale, transfer, barter, exchange, licence, rental, lease, gift, and disposition.

“Taxable supplies” are supplies of property and services that are made in the course of a commercial activity and are subject to the GST/HST (including zero-rated supplies).

“Zero-rated supplies” are supplies of property and services that are taxable at the rate of 0%. This means there is no GST/HST charged on these supplies, but GST/HST registrants (other than charities using the net tax calculation for charities) can claim ITCs for the GST/HST paid or payable on purchases and expenses made to provide them.

La version française de la présente publication est intitulée *Lignes directrices générales en matière de TPS/TVH pour les organismes de bienfaisance*.



## Do charities have special GST/HST rules?

Some GST/HST rules that apply to charities are different from those for businesses. For example:

- most supplies made by charities are exempt while most supplies made by businesses are taxable;
- many charities are not required to register for GST/HST purposes while most businesses are required to do so;
- if a charity is registered for GST/HST purposes it generally must calculate its net tax by using the net tax calculation for charities;
- businesses engaged in a commercial activity can generally recover the GST/HST paid or payable on their business purchases and expenses used in those activities by claiming ITCs while charities are restricted in the ITCs that they may claim;
- where ITCs are not available, charities can recover a percentage of the GST or the federal part of the HST paid or payable on their eligible purchases and expenses (subject to certain exceptions) by claiming a public service bodies' (PSB) rebate; and
- charities may also be able to claim a PSB rebate for some of the provincial part of the HST paid or payable on their eligible purchases and expenses if they are resident in a participating province.

## When is a charity required to register for GST/HST purposes?

A charity is required to register for GST/HST purposes if it:

- makes taxable supplies in Canada; and
- is not a small supplier.

A charity may voluntarily register for GST/HST purposes if it:

- makes taxable supplies in Canada; and
- is a small supplier.

A charity cannot register for GST/HST purposes if it only makes exempt supplies.

## When is a charity a small supplier?

A charity qualifies as a small supplier under either of the following tests:

- the \$250,000 gross revenue test; or
- the \$50,000 taxable supplies test.

When determining its status under these tests, a charity has to consider its activities as a whole.

### ***The \$250,000 gross revenue test***

The limit for the gross revenue test for a charity for a fiscal year is \$250,000.

Gross revenue is generally the total of business income, donations, grants, gifts, property income, investment income, any amount considered a capital gain from the disposition of property for income tax purposes, and any other revenue of any kind; less any amount considered a capital loss from the disposition of property for income tax purposes.

When calculating its gross revenue under this test, a charity does not have to determine if the property and services that it supplies are subject to the GST/HST.

The test works as follows:

- If it is the charity's first fiscal year, it does not have to register for GST/HST purposes.
- If the charity is in its second fiscal year, it calculates its gross revenue from its first fiscal year. If this amount is \$250,000 or less, it does not have to register for GST/HST purposes.
- If this is the charity's third or later fiscal year, it calculates its gross revenue in each of its two previous fiscal years. If this amount is \$250,000 or less in either of these years, it does not have to register for GST/HST purposes.

### ***The \$50,000 taxable supplies test***

The taxable supplies limit is \$50,000 for a charity.

Total revenues from taxable supplies include a charity's worldwide revenues (and those of its associates) from supplies of property and services subject to the GST/HST, including zero-rated supplies. Total revenues do not include sales of capital property (but would include taxable rentals of such

property), supplies of financial services, and certain payments received for goodwill.

To determine if a charity is a small supplier under this test, the charity calculates:

- its total revenue from taxable supplies in the current calendar quarter; and
- its total revenue from taxable supplies in the last four calendar quarters.

If both of these amounts are \$50,000 or less, the charity is a small supplier and does not have to register for GST/HST purposes.

If a charity is not a small supplier under the \$250,000 gross revenue test and is also not a small supplier under the \$50,000 taxable supplies test, then it must register for GST/HST purposes.

## Is a charity issued a new business number when it registers for GST/HST purposes?

When an organization registers with the Canada Revenue Agency (CRA), it is issued a nine-digit business number (BN) to identify the organization. The BN is unique to the organization and will always be the first nine digits of any account number that the organization has with the CRA.

An organization that becomes a registered charity under the *Income Tax Act* will be issued an account number that consists of the organization's BN plus an RR program identifier and a 4-digit reference number (for example, 123456789 RR0001). The entire 15-character number is referred to as a Registered Charity Account Number.

When registering for GST/HST purposes, the charity will be issued an account number that consists of the charity's BN plus an RT program identifier and a 4-digit reference number (for example, 123456789 RT0001). The entire 15-character number is referred to as a GST/HST Account Number.

If a charity claimed a PSB rebate before registering for GST/HST purposes, it already has a GST/HST account number and it will continue to use this number. The CRA will update its systems to show that the charity is now registered for GST/HST purposes.

If the charity does not know whether it is registered for GST/HST purposes, it can call the CRA at 1-800-959-5525.

## What happens if a charity has branches or divisions?

Branches or divisions of a single legal entity cannot register separately for GST/HST purposes. If a charity has to register or registers voluntarily, it has to do so as a single legal entity.

### Small supplier divisions

If a charity has branches or divisions, it may apply to have each branch or division with \$50,000 or less in taxable supplies designated as a small supplier division. Each branch or division has to be separately identifiable by either its location or the nature of its activities and must have its own accounting systems and keep separate books and records.

If the CRA approves this designation of a branch or division of a charity that is a registrant, the charity will no longer collect the GST/HST on taxable supplies made through the designated branch or division, other than on taxable sales of real property (land or buildings) and designated municipal property.

In addition, the charity will no longer be entitled to claim ITCs for the GST/HST paid or payable on purchases (other than for certain capital property or improvements thereto) and expenses related to the activities of the designated branch or division.

To apply for this designation, the charity's head office must submit a completed Form GST31, *Application by a Public Service Body to Have Branches or Divisions Designated as Eligible Small Supplier Divisions*. Form GST31 is available on the CRA website or by calling 1-800-959-5525.

If a designated branch or division of a charity that is a registrant no longer qualifies as a small supplier division, the charity has to start collecting the GST/HST on its taxable supplies and may be eligible to claim ITCs, subject to the limitations set out in the net tax calculation for charities.

## Returns and rebate applications for branches or divisions

A charity with branches or divisions can also apply to have its branches or divisions file separate GST/HST returns and PSB rebate applications.

To qualify for this authorization, each branch or division has to be separately identifiable by either its location or the nature of its activities and must keep separate records, books of account and accounting systems. To apply for this authorization, the charity's head office has to submit a completed

Form GST10, *Application or Revocation of the Authorization to File Separate GST/HST Returns and Rebate Applications for Branches or Divisions*.

## Can a charity cancel its GST/HST registration?

If a charity is registered for GST/HST purposes and determines, after applying the small supplier tests, that it does not have to be registered, it can ask to have its registration cancelled by submitting a completed Form RC145, *Request to Close Business Number (BN) Accounts* or by calling the CRA at 1-800-959-5525.

A charity can only cancel its registration if it has been registered for at least one year. If the charity's registration is cancelled, it does not charge the GST/HST (other than on taxable sales of real property and designated municipal property) and it cannot claim ITCs. The charity may also have to pay back some of the ITCs it claimed while it was a registrant. A charity does not have to be registered for GST/HST purposes to claim the PSB rebate.

If other situations arise (for example, the charity stops making taxable supplies or ceases to operate) and it is no longer required to be registered, the charity should cancel its registration immediately as described above.

For more information on cancelling a charity's GST/HST registration, see "Cancelling your registration" in Guide RC4082, *GST/HST Information for Charities*.

## Does a charity collect the GST/HST on the property and services that it provides?

Generally speaking, a charity that is a registrant must collect and account for the GST/HST on its taxable supplies and a charity that is not a registrant does not have to collect the GST/HST on its taxable supplies.

Special rules apply to taxable sales of real property and designated municipal property. For more information on the application of the GST/HST to taxable sales of real property or designated municipal property, refer to Guide RC4082, *GST/HST Information for Charities* or call a GST/HST rulings centre at 1-800-959-8287.

Also, a charity in a participating province may be required to self-assess the provincial part of the HST on supplies of certain property and services acquired in a non-participating province, or in a participating province with a lower HST rate that are brought into the particular participating province for consumption, use, or supply by the charity. For more information on the self-assessment rules for the provincial part of the HST, refer to Guide RC4022, *General Information for GST/HST Registrants*.

For information on how a charity that is a registrant accounts for the HST on supplies for which it gave a point-of-sale rebate, refer to Guide RC4022, *General Information for GST/HST Registrants* or any of the GST/HST Info Sheets on point-of-sale rebates available on the CRA website. For information on how to account for the HST on taxable supplies for which the charity credited the Ontario First Nations point-of-sale relief, refer to GST/HST Info Sheet GI-106, *Ontario First Nations Point-of-Sale Relief – Reporting Requirements for GST/HST Registrant Suppliers*.

## How does a charity that is not a registrant recover the GST/HST paid or payable on its purchases and expenses?

There is a PSB rebate that allows certain public service bodies, including charities, to recover a percentage of the GST/HST that they pay on their eligible purchases and expenses. Most purchases and expenses are eligible for the PSB rebate, but there are specific purchases and expenses for which the rebate cannot be claimed. For more information on purchases and expenses that are not eligible for the PSB rebate,

refer to Guide RC4034, *GST/HST Public Service Bodies' Rebate* or call a GST/HST rulings centre at 1-800-959-8287.

Charities that are not registrants can file two PSB rebate applications per fiscal year — one rebate application for the first six months of their fiscal year and another for the last six months of their fiscal year.

A non-registrant has up to four years from the last day of the claim period to file a PSB rebate application.

## **How does a charity that is a registrant recover the GST/HST paid or payable on its purchases and expenses?**

A charity that is a registrant is limited in the ITCs that it can claim because of the net tax calculation for charities that it must use to complete its GST/HST return.

Generally, a charity that is a registrant can claim ITCs only on certain items, such as the GST/HST paid or payable on purchases of, or improvements to, capital property or real property that is used primarily (more than 50%) in its commercial activities (that is, to provide taxable property and services).

A charity may be eligible to claim an ITC for the GST/HST paid or payable on the purchase of, or improvements to, real property where it is used less than primarily but more than 10% in the charity's commercial activities and for which it filed Form GST26, *Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply*.

A charity that is a registrant is entitled to claim a PSB rebate for the GST/HST paid or payable on eligible purchases and expenses for which it cannot claim ITCs (whether that tax relates to its taxable or exempt activities).

Charities that are registrants file their PSB rebate applications with the same frequency as they file their GST/HST returns (monthly, quarterly, or annually).

A GST/HST registrant has up to four years from the due date of its GST/HST return for the claim period to file a PSB rebate application.

## **How does a charity claim the PSB rebate?**

A charity is entitled to claim a PSB rebate of 50% of the GST or the federal part of the HST paid or payable on eligible purchases and expenses.

A charity that is resident in a participating province, and is not a selected public service body, may also be entitled to claim a PSB rebate for the provincial part of the HST paid or payable on eligible purchases and expenses at the following rates:

82% – Ontario  
57% – British Columbia  
50% – Nova Scotia  
50% – New Brunswick  
50% – Newfoundland and Labrador  
35% – Prince Edward Island

Charities resident in British Columbia may only apply for a PSB rebate of the provincial part of the HST for claim periods that end on or after July 1, 2010, and begin before April 1, 2013.

In Prince Edward Island, this rebate only applies to claim periods that end on or after April 1, 2013.

For information, including a worksheet, to assist a charity in determining in which province(s) it is resident, please refer to GST/HST Info Sheet GI-121, *Determining Whether a Public Service Body is Resident in a Province for Purposes of the Public Service Bodies' Rebate*.

If a charity that is not a selected public service body is resident in more than one province, at least one of which is a participating province, it has to calculate the PSB rebate for the provincial part of the HST based on the extent to which it intended to consume, use, or supply property or services in the course of its activities in each participating province in which it is resident.

A charity that is also a designated municipality, facility operator or external supplier may be entitled to claim PSB rebates at different rates for the GST/HST paid or payable on eligible purchases and expenses used in its activities as a selected public service body. More information is available in Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

Charities not resident in a participating province are not eligible for a PSB rebate for the provincial part of the HST.

A charity claims the PSB rebate for the GST and federal part of the HST by completing and filing Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self – Government Refund* or Form GST284, which is a personalized version of Form GST66.

A charity claiming a PSB rebate for the provincial part of the HST must complete and file Form RC7066 SCH, *Provincial Schedule – GST/HST Public Service Bodies' Rebate*, or Form GST284 SCH, which is a personalized version of Form RC7066 SCH, together with Form GST66 or GST284.

If a charity is eligible to claim a PSB rebate for the provincial part of the HST, it must not include in its calculation any amounts for which it received a point-of-sale rebate for the provincial part of the HST on purchases of qualifying goods (such as a point-of-sale rebate on books). The charity will be entitled to claim a PSB rebate for only the federal part of the HST paid on these goods.

A PSB rebate application for a particular claim period must only include the eligible GST/HST that was payable or that was paid without having become payable during that claim period. GST/HST payable in one claim period generally cannot be included in the PSB rebate application for a subsequent claim period.

If a charity has already claimed a PSB rebate for a claim period and subsequently discovers additional GST/HST that was paid or payable during that claim period, the charity must adjust the previously filed rebate application to claim a PSB rebate for the additional GST/HST. The charity cannot include the additional tax in the PSB rebate application for a different claim period. For more information on how to adjust a previously filed rebate claim, refer to Guide RC4034, *GST/HST Public Service Bodies' Rebate*. A reassessment or additional assessment of a rebate claim shall not normally be made more than four years after the day the application for the rebate was filed.

## Is a charity entitled to claim other rebates?

A charity may be entitled to claim other GST/HST rebates. These rebates (some up to 100%) have different eligibility requirements, and not all charities may qualify. For example, rebates may be available for the GST/HST paid on:

- printed books;
- purchases and expenses related to providing qualifying rent-geared-to-income housing;
- property and services exported from Canada;
- goods removed from the participating provinces; and
- intangible personal property (for example, rights and goodwill) and services acquired in a participating province for consumption, use, or supply significantly (10% or more) outside the participating province.

More information in this regard can be found in Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

## How does a charity complete the GST/HST return?

A charity that is a registrant is required to complete and file a GST/HST return for each of its reporting periods by using either Form GST34-2, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*, which is automatically sent to a charity registered for GST/HST purposes, or Form GST62, which is the non-personalized version that can be requested by calling the CRA at 1-800-959-5525.

Generally, a charity must use the net tax calculation for charities to determine its net tax. To calculate its net tax remittance for a reporting period using the net tax calculation for charities, a charity must determine the total GST/HST charged, whether collected or not, and report 60% of this amount on line 105 of the GST/HST return.

For a limited number of supplies (for example, taxable sales of capital property and real property), the charity reports 100% of the GST/HST charged. It then enters zero on line 108 (unless, in very specific situations, the charity is eligible to claim ITCs). Finally, the charity subtracts line 108 from line 105 and enters the difference on line 109. This is the charity's net tax.

Detailed information on the net tax calculation for charities is available in GST/HST Info Sheet GI-066, *How a Charity Completes Its GST/HST Return*, and Guide RC4082, *GST/HST Information for Charities*.

## Additional information

The CRA has a number of other publications available to help charities understand their GST/HST obligations and entitlements. Guides, forms, and other publications are available on the CRA website at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca) or by calling 1-800-959-5525.

- Guide RC4049, *GST/HST Information for Municipalities*, for information on rent/geared-to-income housing designations and on local authorities determined to be municipalities;
- Guide RC4033, *General Application for GST/HST Rebates*, for information on the rebate available for intangible personal property or services acquired in a participating province for consumption, use, or supply significantly (10% or more) outside the participating province; and

- GST/HST Info Sheet GI-106, *Ontario First Nations Point-of-Sale Relief – Reporting Requirements for GST/HST Registrant Suppliers*.

## Further information

All GST/HST technical publications are available on the CRA website at [www.cra.gc.ca/gsthsttech](http://www.cra.gc.ca/gsthsttech).

To make a GST/HST enquiry by telephone:

- for general GST/HST enquiries, call the Business Enquiries line at 1-800-959-5525;
- for technical GST/HST enquiries, call GST/HST Rulings at 1-800-959-8287.

If you are located in Quebec, contact **Revenu Québec** at 1-800-567-4692 or visit their website at [www.revenuquebec.ca](http://www.revenuquebec.ca).

The information in this publication does not replace the law found in *the Excise Tax Act* (the Act) and its regulations; it is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact a GST/HST rulings centre for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*, explains how to obtain a ruling or interpretation and lists the GST/HST rulings centres.

Reference in this publication is made to supplies that are subject to the GST or the HST. The HST applies in the participating provinces at the following rates: 13% in Ontario, New Brunswick and Newfoundland and Labrador, 14% in Prince Edward Island and 15% in Nova Scotia. The GST applies in the rest of Canada at the rate of 5%. If you are uncertain as to whether a supply is made in a participating province, see GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of Supply Rules for Determining Whether a Supply is Made in a Province*.